

# ELLIS:LAWHORNE

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June 4, 2004

## **VIA ELECTRONIC MAIL SERVICE AND 1<sup>ST</sup> CLASS MAIL SERVICE**

The Honorable Bruce Duke  
Executive Director  
**South Carolina Public Service Commission**  
PO Drawer 11649  
Columbia SC 29211

RE: Application of RedSquare Corporation for a Certificate of Public Convenience and Necessity to Provide Resold Local Exchange and Interexchange Telecommunications Services, for Flexible Rate Structure for Local Exchange Service Offerings First Approved in Docket No. 97-467-C and for Alternative Regulation First Approved in Docket No. 95-661-C  
**Docket No. 2004-43-C, Our File No. 623-10129**

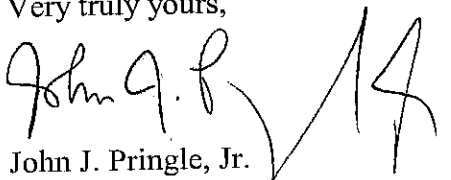
Dear Mr. Duke:

Enclosed is the original and fifteen (15) copies of the Financial Statements for the year ending December 31, 2003, filed as a late-filed exhibit on behalf of RedSquare Corporation in the above-referenced docket.

Please acknowledge your receipt of this document by file-stamping the copy of this letter enclosed, and returning it in the enclosed envelope.

If you have any questions or need additional information, please do not hesitate to contact me.

Very truly yours,

  
John J. Pringle, Jr.

JJP/cr

cc: Mr. Daniel Wentz

Enclosures

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**REDSQUARE CORPORATION**

***FINANCIAL STATEMENTS***

***DECEMBER 31, 2003***

# **REDSQUARE CORPORATION**

## **Table of Contents**

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	<b><u>Page</u></b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	<b>2</b>
Balance Sheet	<b>3</b>
Operations and Retained Earnings	<b>4</b>
Cash Flows	<b>5</b>
Notes to Financial Statements	



Consultants • Certified Public Accountants

The Stockholders and Board of Directors  
RedSquare Corporation  
Las Vegas, Nevada

We have compiled the accompanying balance sheet of RedSquare Corporation as of December 31, 2003, and the related statement of operations for year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting information, which is the representation of management in the form of financial statements. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Fargo, North Dakota  
June 1, 2004

**REDSQUARE CORPORATION**  
**BALANCE SHEET**  
**DECEMBER 31, 2003**

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**ASSETS**

CASH	<u>\$ 834,527</u>
DEFERRED INCOME TAXES	<u>129,000</u>
LAND HELD FOR RESALE	<u>550,000</u>
EQUIPMENT	25,729
Less accumulated depreciation	<u>(14,802)</u>
	<u>10,927</u>
	<u><u>\$ 1,524,454</u></u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

ACCRUED INTEREST	<u>\$ 8,056</u>
NOTES PAYABLE	<u>308,442</u>
DUE TO RELATED PARTIES	<u>54,157</u>
STOCKHOLDERS' EQUITY	1,356,810
Capital stock	(203,011)
Retained earnings	<u>1,153,799</u>
	<u><u>\$ 1,524,454</u></u>

**REDSQUARE CORPORATION**  
**STATEMENT OF OPERATIONS AND RETAINED EARNINGS**  
**YEAR ENDED DECEMBER 31, 2003**

**OPERATIONS**

**REVENUE**

Interest income and gain from currency exchange	\$ 258,153
Miscellaneous	53,149
	<u>311,302</u>

**OPERATING EXPENSES**

Travel	33,426
Employee benefits	30,276
Contracted services	23,514
Taxes, licenses and permits	13,030
Professional fees	10,317
Rent	8,168
Interest expense	8,056
Depreciation	6,164
Supplies	5,360
Meals and entertainment	3,035
Utilities	2,704
Printing and reproduction	2,666
Insurance	800
Miscellaneous	521
Dues and subscriptions	292
Bank charges	291
Repairs	221
	<u>148,841</u>

Total operating expense

162,461

**INCOME BEFORE INCOME TAXES**

**INCOME TAX BENEFIT**

129,000

**NET INCOME**

\$ 291,461

**RETAINED EARNINGS**

**BALANCE, BEGINNING OF YEAR**

\$ (494,472)

**NET INCOME**

291,461

**BALANCE, END OF YEAR**

\$ (203,011)

**REDSQUARE CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2003**

<b>OPERATING ACTIVITIES</b>	
Net income	\$ 291,461
Charges and credits to net income not affecting cash	
Depreciation	6,164
Interest	8,056
Deferred income taxes	<u>(129,000)</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>176,681</u>
<b>INVESTING ACTIVITIES</b>	
Purchase of land held for resale	(550,000)
Purchase of property and equipment	(1,429)
Collection of notes receivable	<u>327,589</u>
<b>NET CASH USED FOR INVESTING ACTIVITIES</b>	<u>(223,840)</u>
<b>FINANCING ACTIVITIES</b>	
Proceeds from long-term debt	308,442
Net change in due to related parties	<u>11,657</u>
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<u>320,099</u>
<b>NET CHANGE IN CASH</b>	272,940
<b>CASH AT BEGINNING OF YEAR</b>	<u>561,587</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 834,527</u></u>

**REDSQUARE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

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**NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES**

RedSquare Corporation (the Company) is a wholly owned subsidiary of Manitoba Ltd., LLC. The Company is a Nevada corporation.

*Concentration of Credit Risk*

The Company's cash balances are maintained in several bank deposit accounts, the balances of which periodically exceed federally insured limits.

*Estimates*

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Land Held for Resale*

Land held for resale includes the purchase price and development costs related to installation of water and sewer lines. The land is held for the purpose of dividing into lots for resale.

*Property and Equipment*

Property and equipment is stated at cost. Depreciation is computed using accelerated methods over the useful lives of the assets. Equipment is depreciated over 5 – 7 years.

**NOTE 2 - LONG-TERM DEBT**

Long-term debt at December 31, 2003, consists of the following:

5.13% related party note payable, due in full with accrued interest on December 31, 2006, unsecured	\$ 240,000
5.13% related party note payable, due in full with accrued interest on December 31, 2006, unsecured	<u>68,442</u>
	<u><u>\$ 308,442</u></u>

The entire balance of long-term debt matures on December 31, 2006.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3 - RELATED PARTY TRANSACTIONS

As shown in Note 2, at December 31, 2003, the Company owed \$308,442 to Manitoba Ltd., LLC, a related party. The Company also owed \$53,269 directly to the majority shareholder of Manitoba Ltd., LLC at December 31, 2003, for advances and reimbursements.

### NOTE 4 - INCOME TAXES

The deferred tax asset consists of the following components as of December 31, 2003:

Deferred tax assets:

Net operating loss carryforwards  
Foreign tax credit carryforward

\$ 128,000

1,000

\$ 129,000

The components giving rise to the deferred tax asset described above have been included in the accompanying financial statements as of December 31, 2003, as a noncurrent asset.

Operating loss carryforwards for federal tax purposes totaling approximately \$321,000 as of December 31, 2003, will begin to expire in 2021.

The benefit for income taxes charged to operations for the year ended December 31, 2003, is the result of recording the deferred tax asset.